

Message Text

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TO AMEMBASSY BONN IMMEDIATE
INFO AMEMBASSY CANBERRA
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AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EMIN

SUBJECT: AUSTRALIAN NICKEL INITIATIVE

REF: STATE 183006

1. IN DISCUSSION WITH DEPARTMENT OFFICIAL, AUSTRALIAN
COMMERCIAL COUNSELOR GRAEME THOMPSON PASSED ALONG CONTENTS
OF REPORT FROM AUSTRALIAN EMBASSY IN BONN CONCERNING
AUSTRALIAN/GERMAN DIALOGUE ON NICKEL. REPRESENTATION WAS
MADE TO ENGELMANN (FNU) OF THE MINERALS SECTION OF THE
ECONOMICS MINISTRY ON JUNE 27.

2. AUSTRALIA PRESENTED ITS PROPOSAL FOR AN INTERGOVERN-
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MENTAL CONSULTATIVE BODY FOR NICKEL AS MOTIVATED BY THE
NEED FOR MORE RELIABLE DATA UPON WHICH COMPANIES COULD
MAKE MORE INFORMED INVESTMENT DECISIONS, THEREBY ADDING
STABILITY TO THE MARKET. GOA UNDERScoreD ITS DESIRE THAT A
PCF FOR NICKEL SHOULD HAVE NO DECISION-MAKING POWERS.
AUSTRALIA CONCEIVES OF THE PCF AS AN INTERGOVERNMENTAL BODY,
WITH INDUSTRY ADVISORS AS NECESSARY. GOA STRONGLY DESIRES

THAT SUCH A BODY INCLUDE BOTH PRODUCERS AND CONSUMERS OF NICKEL.

3. ENGELMANN REPORTEDLY RESPONDED THAT FRG, AS A LARGE IMPORTER AND CONSUMER OF RAW MATERIALS, IS OPPOSED TO ANY RESTRICTIVE ACTION OR STRUCTURING OF MARKETS, INCLUDING THE NICKEL MARKET. THE FRG DOES BELIEVE HOWEVER, THAT THERE IS MERIT IN IMPROVING MARKET TRANSPARENCY OF COMMODITIES FOR WHICH SUCH A NEED EXISTS BUT DOES NOT BELIEVE THAT A CASE EXISTS FOR NICKEL.

4. AUSTRALIAN EMBASSY BONN FURTHER REPORTED THAT THE FRG BASED ITS NEGATIVE REACTION TO A NICKEL PCF ON TWO CONTRADICTORY REASONS. ENGELMANN OPINED THAT MARKET INFORMATION IN NICKEL IS ABUNDANT AND THAT A PCF WOULD HAVE LITTLE TO CONTRIBUTE IN THIS FIELD. HE AGREED, HOWEVER, THAT MUCH OF THAT INFORMATION IS NOT RELIABLE AND HAD LED TO BAD INVESTMENT DECISIONS IN THE PAST. SECONDLY, BECAUSE NICKEL IS SO CLOSELY TIED TO SHIFTS IN THE STEEL MARKET, ANALYSIS AND PROJECTIONS OF DEMAND FOR NICKEL ARE DIFFICULT AND HAZARDOUS.

5. FINALLY, ACCORDING TO THOMPSON, ENGELMAN COMMENTED THAT FRG IS NOT OPPOSED TO A MEETING TO DISCUSS THE AUSTRALIAN PROPOSAL, AS LONG AS IT IMPLIES NO PRE-COMMITMENTS ON THE PART OF ANY OF THE PARTICIPANTS. HOWEVER LIMITED OFFICIAL USE

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BEFORE THE FRG COULD ACCEPT AN INVITATION TO ATTEND SUCH A MEETING IT WOULD LIKE TO SEE THE AUSTRALIAN PROPOSAL IN WRITTEN FORM, SPELLING OUT IN DETAIL THE OBJECTIVES AND THE ORGANIZATIONAL STRUCTURE OF AN INTERGOVERNMENTAL CONSULTATIVE BODY FOR NICKEL.

6. WHEN ASKED ABOUT ANY SIMILAR REPORTING ON MEETINGS IN FRANCE AND JAPAN, THOMPSON BECAME VAGUE, IN SHARP CONTRAST TO THE DETAIL HE WAS ABLE TO SUPPLY ON THE MEETING IN BONN. HE INDICATED THAT HE BELIEVED GOJ PROBABLY WOULD RELUCTANTLY GO ALONG WITH A MEETING. HE HAD NO INFORMATION WITH REGARD TO FRANCE.

7. COMMENT: WE UNDERSTAND THAT FRANCE IS FIRMLY OPPOSED TO A PCF FOR NICKEL. ACCORDING TO JEAN-PAUL VAUTREY, THE FRENCH DELEGATE TO THE RECENT MEETING OF THE INTERNATIONAL LEAD AND ZINC STUDY GROUP, THE FRENCH GOVERNMENT BELIEVES THE MARKET WILL IMPROVE IN THE EARLY 1980S AND IS PROCEEDING WITH ITS JOINT VENTURE WITH AMAX TO DEVELOP NICKEL DEPOSITS IN NEW CALEDONIA. END COMMENT VANCE

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